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OTHER MATTERS

Economic and Social Consequences of Illicit Trafficking in Narcotic Drugs and Psychotropic Substances**

Note by the Executive Director

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I. INTRODUCTION

1. In its resolution 44/142 of 15 December 1989, the General Assembly requested the Secretary-General to undertake a study on the economic and social consequences of illicit traffic in drugs. To further that end, the former Division of Narcotic Drugs convened an expert group to examine the question. The expert group met twice in 1990. The report of the expert group was issued as a document of the forty-fifth session of the Assembly (A/C.3/45/8) and the Commission was requested in Assembly resolution 45/149, section II, of 18 December 1990, to study and report to the Assembly at its forty-sixth session. The Commission was not able to complete its consideration of the subject at its thirty-fourth session in 1991 because of time constraints. The Commission accordingly adopted resolution 7(XXXIV) by which it decided to consider the matter further at its thirty-fifth session and invited the Executive Director of UNDCP to analyse the recommendations of the expert group and present its views on possible follow-up action. The General Assembly took note of the Commission's decision in its resolution 46/103, Section II, of 16 December 1991, and invited the Commission to report to it at its forty-seventh session through the Economic and Social Council. To facilitate consideration of this issue, the Commission will have before it the document prepared for its previous session containing the recommendations of the expert group (E/CN.7/1991/25).

2. The present document contains the views of the Executive Director as requested by the Commission. Certain limitations are obviously imposed on the Executive Director by asking his comments on follow-up measures to the recommendations of an Expert Group which have not yet been considered by the Commission itself. The comments will thus be limited to some observations of a general nature on the issue, comment as to the practicability of certain of the recommendations and an update on the considerable amount of action which has been undertaken on the issue in the period since the Expert Group met.

II. OBSERVATIONS

3. The consideration being given to the issue of social and economic consequences of drug traffic is predicated on the assumption that there are indeed such consequences and that they are major. As this assumption is correct beyond any doubt, the central issues thus become the desire to quantify these consequences and to develop measures to do something about them.

4. The report of the Expert Group is accordingly devoted largely to two questions, namely (i) the availability of reliable data for the purposes of determining the economic and social consequences of drug trafficking and (ii) measures which might be taken to address the money laundering issue.

5. With regard to the first of these questions, paragraph 60 of the report opens with the telling sentence: "The Expert Group recognized . . . that it was difficult to obtain reliable data regarding the magnitude of the economic transactions related to illicit drug trafficking and to evaluate the impact of drug-related money transfers and conversion on national economic systems". In reporting on how it determined the methodology for its own work (paragraphs 14-30) the Expert Group repeatedly encountered various confirmations of this dilemma, some of which were described as follows:

- "Scant and unreliable data made a more thorough consideration of the mandate of the Expert Group a difficult enterprise". (Paragraph 14).

- "Indeed, statistical methods that might yield only rough estimates often had to be used". (Paragraph 15).

- "The International Monetary Fund and the Bank for International Settlements . . . reported that there was no accurate way of measuring drug-money flows directly". (Paragraph 17).

- (Addressing the use of seizures as a 10% indicator of traffic) "Several experts cautioned against the establishment of estimates using such multipliers"... (Paragraph 18).

- (Addressing the use of abuse and price data as a starting point) "however, such data retrieval and surveys were difficult to undertake and co-ordinate on a worldwide basis". (Paragraph 19).

6. Faced with the overwhelming evidence that an accurate assessment of economic implications was at present impossible, the Expert Group "unanimously agreed that it was imperative for the United Nations to develop a comprehensive, unified information system and to provide reliable data and information on the illicit drug trafficking chain, especially illicit cultivation or manufacture, processing and consumption". (Paragraph 24).

7. UNDCP greatly appreciates this statement of confidence in its abilities but must point out that the only variable that appears in the above recommendation is one of time. It is assumed that the task is indeed feasible as defined. This is by no means a safe assumption. On the other hand, there is no doubt that improvements in the existing system of data collection and analysis are feasible and desirable, and steps are already being taken in this direction, as described later in this document. Caution is simply urged in assigning to UNDCP a responsibility formulated in such a way as to make it impossible to fulfill by either UNDCP or any other institution.

8. Caution should perhaps also be expressed on the possible applications of such data, even in their improved state. As there will always be significant imperfections in the data, because of the very nature of drug trafficking and abuse, the basing of dramatic and sweeping conclusions on extrapolations of the data can be misleading and perhaps even incorrect. Good examples of the inherent risk in this respect can be found in the calculations of price escalation in the annex to the Expert Group's report. A change in water content or purity of opium, for example, can introduce a major change in the set formula at the very beginning of the chain. When extrapolated through a series of calculations all the way to the end of the chain, the margin of error becomes completely unacceptable.

9. There are no doubt many uses for improved data on economic consequences of drug traffic. They will inevitably be used as a yardstick for measuring the harm done to producing countries and to consuming countries, not to mention transit countries or the growing list of countries worldwide which must now be considered as all three. They may also be used by countries to place pressures of one type or another on other countries, a process which can very easily degenerate into political polemic. In such cases the only parties to benefit are the drug traffickers. UNDCP cannot be expected to favour one side or the other in debates of this type. Its position will be to favour greater aid to drug control efforts in countries making good-faith efforts to address the problem in their own territories.

10. This issue opens onto a much wider set of questions which UNDCP is to varying degrees currently addressing. Notable among these is the broader socio-economic development context of the drug issue. As part of its responsibility to lead and coordinate the drug control effort in the United Nations system and internationally, UNDCP intends to strengthen its ties to the international financial institutions. It is only by working at this level that the appropriate intensity, breadth and depth of attention can be given to the drug problem, especially in the countries faced with traditional illicit cultivation. As the Expert Group itself pointed out, there are a number of linkages between drug issues and economic issues, some of which are couched in controversy. The existence of controversy should, however, not be sufficient cause to ignore the issues.

11. The Expert Group devotes relatively little attention to the social consequences, for quite understandable reasons. It nevertheless signals a number of evident social implications, though little effort is made to suggest their quantification. Indeed, it would prove virtually impossible to do so in any meaningful way.

12. The Expert Group did, however, briefly address possible measures to address the social impact, again concentrating on the need for improved data. While better data are certainly necessary, the desire to obtain them should not be allowed to delay urgently needed programmes in the demand reduction field.

13. Of interest in connection with the specific mandate of the Expert Group were the references, for the most part in Annex II to the report, to the social consequences of drug traffic as opposed to drug abuse. Again, quantification is virtually impossible, although this aspect of the problem is of vital significance and contributes greatly to the need for increased priority to the drug control issue.

III. COMMENTS ON RECOMMENDATIONS OF THE EXPERT GROUP

14. A number of recommendations are addressed to UNDCP through the Secretary-General. At the core of these (paragraphs 8.1.(a) and 24-30) is a recommendation that UNDCP provide a unified "annual estimate of the illicit drug situation on a world-wide basis". The Expert Group provides in some detail suggestions as to what should be included in this report. The intention is clearly a statistically oriented assessment. The existence of such data would obviously be of considerable use to Member States and to UNDCP itself.

15. Recognizing at least in part the difficulties inherent in this task, the Expert Group also recommends that the ways and means to collect and process the data will also need to be developed. Some suggestions are provided by the Expert Group on how this might be done. The report takes into account the creation of the IDAAS system and the need to revise illicit traffic reporting procedures in the light of the 1988 Convention. It should be added that the existing annual Report of the International Narcotics Control Board also addresses some of the items concerned. Quite correctly, the Expert Group felt that rationalization of existing activities can be one useful step. Progress already made in this respect is outlined later in the present document.

16. In general terms, it is felt that the Expert Group underestimates the complexity and the difficulty of the task envisaged. Efforts even at the national level to institute similar systems have not met with overwhelming success on such a broad set of data. The unification of all the detailed data into a single system may not in fact be the most desirable alternative on technological grounds, although this is a matter for the consideration of experts. Of prime concern is the need to have realistic expectations. The development of even a modestly comprehensive data system will take years.

17. The Expert Group did not enter into the cost implications of its recommendations. This can be done to a certain extent through established procedures in the event the Commission wishes to formulate a resolution or decision requiring a statement of programme budget implications, although the report does not really contain enough information to permit any definitive cost analysis. The need for a specialized unit within the secretariat was acknowledged. In addition, there would be significant hardware and software costs, and a major initiative just to determine the appropriate methodology. There is no doubt that the cost would be high in comparison to existing resource levels. As a point of reference, Member States which have instituted advanced data systems with regard to only one aspect of drug control, e.g. illicit traffic, might provide indications of their start-up and running costs. There is obviously little point in undertaking a comprehensive system if resources are not available to do it properly, as this would only perpetuate the present unsatisfactory system. In sum, UNDCP would welcome the opportunity to undertake such a challenging task if adequate resources are provided. It would perhaps be a useful first step if a detailed and costed proposal could be drawn up before a commitment is made to a particular course of action. UNDCP would be able to prepare such a proposal.

18. A recommendation was also formulated with regard to analytical studies which UNDCP should undertake, and a number of topics were suggested (paragraph 8.1.(g) and 8.2.). Similarly, the convening of specific expert groups was recommended (paragraph 8.3-4 and paragraph 15.). Another recommendation (paragraph 16) concerns assistance in legislation and enforcement. These recommendations are to a large extent addressed in the chapter which follows.

IV. ACTION ENVISAGED OR ALREADY TAKEN

19. A number of initiatives already taken or envisaged by UNDCP contribute directly or indirectly to the determination or analysis of economic and social consequences of drug traffic, along the lines traced by the Expert Group.

20. Within UNDCP, the IDAAS system has progressed to the implementation stage, and the list of available country profiles available is steadily growing. Available country profiles will be distributed to the Commission at its thirty-fifth session, along with an analysis of the problems encountered to date in mplementing the system. It should be recalled that the IDAAS system, if developed to its full potential, is intended to provide a wide range of data on various aspects of drug control, with special but not exclusive emphasis on the drug abuse problem. The current special purpose contribution for the IDAAS is nearly exhausted, and the future of the system will depend on the financial resources

made available. While it should prove possible to continue to administer the IDAAS questionnaire and prepare the country profiles, further development of the system will require additional resources.

21. With regard to illicit traffic data, UNDCP undertook in January 1992 a small project with extrabudgetary funds to determine a possible course of action to improve UNDCP illicit traffic data and to develop enhanced collaboration with International Criminal Police Organization/Interpol and the Customs Cooperation Council (CCC). The work of the consultant hired under the project also involves an inventorying of the various data collection and analysis systems used throughout UNDCP. The recommendations which emerge from the project will be available by September 1992 and will be provided to the Commission at its thirty-sixth session.

22. Considerable progress has been made on developing a data system with regard to precursors, also addressed by the Expert Group. This development is described in detail in document E/CN.7/1992/2.

23. All three of these initiatives have had to proceed without the presence of the envisaged UNDCP information resources specialist. In the proposed UNDCP structure an Information Resources Management Service was foreseen, to be headed by a senior specialist. Among the responsibilities of the Service was to have been the development of improved systems of data collection and analysis. On the recommendation of ACABQ the post was not approved by the Fifth Committee of the General Assembly, delaying meaningful action on this front. The Commission may wish to take this into account in determining what course of action it takes on the recommendations of the Expert Group.

24. With regard to analytical studies, a major worldwide research project entitled "Socio-Economic and Political Impact of Production, Trade and Use of Illicit Narcotic Drugs" is underway, jointly sponsored by the United Nations Research Institute for Social Development (UNRISD) and the United Nations University. The existence of this study was brought to the attention of the pre-UNDCP drug units in late 1990. The work of the Expert Group was immediately shared with UNRISD. The project coordinator subsequently visited UNDCP and appropriate exchanges of information and arrangements for mutual assistance were established. A brief UNRISD background document on the project is reproduced in the annex.

25. The UNRISD project is now at mid-point, and UNDCP will finance and participate in a mid-project workshop in May 1992. The initial review of literature on the subject has been published commercially under its author's name, in keeping with UNRISD practice (Handbook of Research on the Illicit Drug Traffic: Socioeconomic and

Political Consequences, L. Tullis). If it achieves its objectives, this particular project should go far to address several of the topics proposed by the Expert Group as subjects for research. In any case, it would be duplicative to launch overlapping studies at present with regard to several of the topics suggested by the Expert Group.

26. Similarly, the suggested study on the tracing of financial flows and money laundering (paragraph 8.1.(g)(i)) would be duplicative with work being undertaken by the Financial Action Task Force (FATF). UNDCP and FATF have examined the possibility of concrete collaboration. A formal exchange is being concluded whereby UNDCP will take on technical assistance work in the money laundering field, in close collaboration with FATF. In this connection, UNDCP obtained regular budget support for a specialist post in this field. Recruitment is nearing completion. The initial assignment of the specialist will be to prepare a programme of assistance to interested Member States. Emphasis is expected to be on advisory services and training for bodies entrusted with enforcement of money laundering laws, supplemented by assistance where needed in preparing or adapting legislation.

27. Turning to the question of further Expert Groups, as mentioned above, UNDCP will finance the mid-term workshop of the UNRISD study, in effect an Expert Group. Consideration is also being given to the convening of a group of informed individuals on the question of drugs and debt. UNDCP is examining the matter in more detail, given the lack of consensus on the issue, prior to reaching a decision on whether to sponsor such a meeting. Both meetings would fit under the framework of a series of technical expert consultations that UNDCP will be organizing as part of its observance of the United Nations Decade against Drug Abuse.

28. In conclusion, although the report of the Expert Group has not yet been considered in detail by the Commission a number of its specific recommendations are already receiving attention in one context or another. Indeed, the issue of economic consequences of drug trafficking promises to take on even greater importance, especially with regard to the seizure of financial assets of drug traffickers. As the Expert Group itself recognized, the confiscation of the illegally earned wealth of drug traffickers addresses their primary motivation and is thus certain to become one of the most effective measures yet identified.

29. UNDCP is prepared to take on greater duties in regard to the collection of data, if the Member States so desire and if the necessary resources are made available. As a practical follow-up to the recommendations of the Expert Group in this respect, UNDCP would be prepared to draw up a detailed long-term cost estimate for the design and operation of a comprehensive data collection and analysis system, drawing on its experience to date and taking into account the problems inherent in such a system.

Annex

United Nations Research Institute
for Social Development (UNRISD)

Socio-Economic and Political Impact of Production, Trade and Use of Illicit Narcotic Drugs

Country Case Studies Overview

Background to Research Programme and Country Case Studies

The international debate on the drug phenomenon has undergone considerable redefinition over the past few years. Problems of rising consumption within the principal drug producing countries themselves have blurred the lines of interest which were previously so clearly drawn between producing and consuming countries. The governments of net consuming countries have increasingly acknowledged that most supply control operations have not worked, are not now effective, and are unlikely to produce significant positive results in the future. Consequently, a new area of conceptual agreement between net producing and consuming countries is beginning to emerge. This consensus implies examining integrated ways of addressing demand and supply that rest on sophisticated analysis of the socio-economic and political dynamics of the drug sector in concrete settings.

The purpose of the research programme on the Socio-economic and Political Impact of Production, Trade and Use of Illicit Narcotic Drugs, jointly sponsored by UNRISD and the United Nations University, is precisely to respond to this need, first through examining the socio-economic and political characteristics of the illicit drug traffic in cocaine, opium, and cannabis products in different countries, and then by analysing the effects of national and international anti-drug policies designed to deal with that traffic. The principal focus is on net producer countries or regions. The first phase of the research programme involved a literature survey accompanied by an annotated bibliography of over 2,000 items, and publication of two essays contributed by the programme co-ordinator. A book written by the programme co-ordinator will also be published in the future.

The programme's second phase, now underway, includes country case studies of Thailand, Laos, Myanmar, Pakistan, Afghanistan, Peru, Bolivia, Colombia, Mexico, and the United States (Kentucky and Tennessee). The studies will be published as monographs together with a synthesis overview volume written by the programme co-ordinator. The publications will have high visibility among scholars, teachers, policy makers and others interested in illicit drug issues throughout the world.

Terms of Reference

Research will be confined to the socio-economic and political consequences of illicit production, trade and consumption of narcotics (but not pyscho-tropic substances or those used for legitimate medicinal purposes) and on measures undertaken to supress those activities. The overall approach of the studies is expected to include multi-sector macro analysis that will lend itself to integrated policy discussions.

While focusing on subject matter dictated by events in each country (impacts on parallel economies, political organization, migration and the environment, etc.) and informed by the scholarly expertise of each author, the country studies are expected to shed light on patterns of production, trade, and consumption in domestic social, economic, and political settings. The studies are also expected to analyse some of the intended and unintended consequences of international and national illicit drug control policies in the countries studied. The synthesizing comparative volume will, in light of the country studies, offer insights on which drug control policies are effective, which produce substantial counterproductive effects, and, in light of the evidence, what the consequences of newly proffered policies may be.

Methodology

Each volume is expected to contain descriptive breadth, an important analytical focus, and an assessment of the effects of various kinds of prescriptions.

Descriptive analysis will include the historical background to each country's or region's emergence as a major illicit drug supplier. Macro perspectives are expected to be given on the social and economic interplay of international consumer demand, traffickers, domestic producers, and national politics leading to significant socio-economic and political consequences. These foci will be sensitive to several or all of the following categories: Illicit drug cultivation, manufacture, trade, use, and control; and individual, society, economy, polity, institutions of governance, inter-state/international relations, environment and ethics/values.

Explanatory analysis will depend on the comparative advantage of each author and the empirical dictates of his or her country's experience. It is expected that several of the most important issues from the descriptive analysis will be analysed, their consequences explored and important questions answered.

Prescriptive analysis will include analytical examination of new policy options and their likely intended

Practical Modalities

At a planning workshop in Geneva on 27 and 28 May 1991 a time frame of six to fifteen months for preparation of the country studies was established. Although funding is insufficient to conduct major field surveys in countries, the distiling of extant information within the context of existing research networks is expected to adequately fulfil researcher needs. While some have already gathered extensive data pertaining to their country of study, other researchers are faced with the challenge of analysing illicit drug-related issues in countries where relatively little reliable data exists. For this reason some country reports are expected to be completed much earlier than others.

At the planning workshop researchers were informed of the UNDCP's willingness to mobilize its network of field offices to assist in the studies. Researchers were encouraged to contact the offices in their particular country of study.